Corporate Governance Report

Last Update: November 20, 2019
TAIYO YUDEN CO., LTD.
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https://www.yuden.co.jp/

The corporate governance of TAIYO YUDEN CO., LTD. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

Basic Policy for corporate governance

The management philosophy of the TAIYO YUDEN Group consists of the three principles of "employee well-being," "betterment of local communities" and "responsibility to provide returns to shareholders," and the vision of the Group is "to be an excellent company that enjoys the trust and highest regard from our customers." To put into practice the management philosophy and realize the vision, we are committed to corporate social responsibilities and the mission of management to develop businesses on an ongoing basis while fulfilling sociality, public interest and public nature of the Group from a global viewpoint.
With an emphasis on transparency and fairness of corporate management, the Company is making efforts to enhance corporate governance under the supervision of the Board of Directors, including the development of structures and mechanisms that enable timely and appropriate information disclosure, thorough compliance, and speedy decision making and execution of duties.

Basic Policy for Corporate Governance
https://www.yuden.co.jp/ut/ir/management/governance/

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The company shall abide by all principles of the corporate governance code.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principles 1-4: Policy on Shareholdings]
Policies for holding and reducing policy shareholdings and standards for exercising voting rights for policy shareholdings and individual verification of the appropriateness of holdings are listed in Chapter 2, 4-(1).(2).(3) of the "Basic Policy for Corporate Governance."

[Principle 1-7: Create appropriate procedures and frameworks for transactions between related parties]
Our policy regarding transactions between related parties is described in Chapter 3, 3-(1)-(2) of the article "Basic Policy for Corporate Governance" found on our website.

[Principles 2-6: Roles of Corporate Pension Fund as Asset Owner]
The company has no corporate pension system.

The company shall implement a defined contribution corporate pension plan to build stable assets for employees, and shall provide education and training regarding asset management.

[Principle 3-1: Full disclosure]
1.Our corporate philosophy, vision, management strategy, business plans are disclosed in the financial statement briefing materials and integrated reports on our website.
2.Our fundamental concepts of corporate governance as well as basic policies are disclosed in the financial and corporate governance reports on our website.
3.Policies and procedures for the Board to determine director Remuneration are disclosed in the financial reports and notices for the convening of shareholder meetings.
4.Policies and procedures for the nomination of candidates for directors and auditors are disclosed in the financial and corporate governance reports.
5.Individual reasons regarding the selection of candidates for directors and auditors are disclosed in the notices for the convening of shareholder meetings.
6. Policies and Process for Appointment and Dismissal of Officers are disclosed in the notices for the convening of shareholder meetings.

[Supplemental Principle 4-1-1: Scope of delegation to the management]
A synopsis of the scope of delegation to the management can be found in Chapter 5, Section 2, 2-(1).(2).(3) of the article “Basic Policy for Corporate Governance” found on our website.

[Principles 4-9: Independence Criteria and Qualification for Outside Director]
The Board of Directors shall select independent outside director candidates using the “Executive Appointment and Dismissal Criteria” and the “Independence Criteria for Outside Officers,” and shall clearly state the reasons for their appointment in a general shareholders’ meeting notification when proposing candidates at a general shareholders’ meeting. The standards for the independence of outside director shall be disclosed on the company's website.

[Supplemental Principle 4-11-1: Concept of balance of knowledge, diversity, and size of the board as a whole]
The concepts regarding the balance of knowledge, experience, and skills of the Board (as a whole) as well as its size are described in Chapter 5, Section 2, 3-(2) of the article “Basic Policy for Corporate Governance” found on our website.

[Supplemental Principle 4-11-2: Posts held concurrently by Outside Directors and auditors]
Directors concurrently holding other positions are discussed in Chapter 5, Section 5, 2-(1).(2) of the article “Basic Policy for Corporate Governance” found on our website. Important concurrent posts held by Outside Directors are disclosed in the notice of convocation of shareholder meetings, financial statements, and corporate governance reports.

[Supplemental Principle 4-11-3: Analysis and assessment regarding the effectiveness of the Board as a whole]

1. Method of Evaluation
Self-evaluation by questionnaire survey

Subjects	Directors and Audit & Supervisory Board Members (including Outside Officers)
Implementation period	February 2019
Evaluation items	1) The operation of the Board of Directors, 2) The composition of the Board of Directors,3) Aggressive governance, 4) Defensive governance, 5) Provision of information, 6) General evaluation
Answer form	Points evaluation from 5 (satisfied) to 1 (not satisfied), and free comments
Evaluation method	Evaluation was conducted by the Board of Directors after analysis and verification of the survey results by Directors and Audit & Supervisory Board Members.

2. Outline of the Analysis and Evaluation Results
In the survey, all evaluation items scored 3.5 or more points, and it was confirmed that the effectiveness of the Board of Directors has generally been ensured.

Regarding the “diversity of the composition of the Board of Directors,” which was identified as an issue in the previous fiscal year, candidates for Directors were selected based on the policy that the Company aims to achieve diversity in terms of skills, experience, and way of thinking through the long-term internal development as well as external recruitment of candidates. As for the “opportunities for Directors to learn knowledge and skills,” which was also identified as an issue in the previous fiscal year, improvements have been recognized as a result of training provided to Directors as well as Operating Officers based on timely topics and case studies.
As a result of the latest questionnaire survey conducted during the fiscal year under review, “improvement in reporting content on key measures” and “establishment of opportunities for discussion on business risks” have been recognized as issues. The Board of Directors will endeavor to enhance the effectiveness of the Board of Directors and further strengthen corporate governance by continuing to address these matters systematically.

[Supplementary principles 4-14-2: Principles for Training of Directors and Audit & Supervisory Board Members]
Principles for training of directors and audit & supervisory board members are listed in Chapter 5, Section 5, 3-(4) of the “Basic Policy for Corporate Governance” found on the company website.

[Principles 5-1 : Policies for Constructive Dialogue with Shareholders]
The company shall designate a director in charge of IR and conduct IR activities to promote a constructive dialogue with shareholders and investors.
The company shall also report to the Board of Directors any opinions and requests from shareholders and investors collected through IR activities.
Specifically, the following activities are to be included in the company’s organizational structure.
(1) Strengthening collaboration between the management of the IR department and other departments through the director responsible for IR.
(2) Results briefings with securities analysts and institutional investors (quarterly).
(3) Handling group meetings and individual meetings with major foreign and domestic individual investors.
(4) Explanations to major investors regarding general shareholders’ meeting proposals.
(5) Publishing consolidated reports to enhance the understanding of the company’s mid- and long-term value creation.
(6) Conducting investigations of shareholder findings through external survey organizations.

For fairness in the disclosure of information and to prevent leaks of inside information, the information disclosed in dialogues with major shareholders and investors shall be within the bounds previously determined for disclosure.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%

[Status of Major Shareholders] Update

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,365,100	14.63
Japan Trustee Services Bank, Ltd. (Trust Account)	15,847,300	12.62
BBH BOSTON CUSTODIAN FOR NEXT GENERATION CONNECTIVITY FUND A SERIES TRUST 620818	5,698,000	4.54
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,418,200	2.72
The Iyo Bank, Ltd.	3,000,100	2.39
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,859,500	2.27

BNP Paribas Securities (Japan) Limited.	2,153,021	1.71
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	2,040,200	1.62
Sumitomo Mitsui Banking Corporation	2,000,000	1.59
Sato Traffic Orphan Welfare Fund	1,916,640	1.52

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation Update

1. The information above concerns large shareholders as of September 30, 2019.
2. The company holds 4,714,308 of its own shares, 3.62% of which are not shown on the list of large shareholders.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion /
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

None

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with *Kansayaku* Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President and Chief Executive Officer
Number of Directors	8
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masashi Hiraiwa	Attorney											
Seiichi Koike	From another company											
Emiko Hamada	Scholar	△										

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masashi Hiraiwa	○	OHHARA LAW OFFICE Attorney	[Reasons for election] Mr. Masashi Hiraiwa has served as an officer or in a similar position at investment corporations, and possesses abundant experience and high-level expertise as an

			attorney specializing in corporate legal affairs. He has demonstrated a high sense of ethics by offering constructive opinions and organizing points of discussion or debate from an objective perspective, and fulfilling the monitoring function over the Company's overall management such as governance and legal compliance including internal control, at meetings of the Company's Board of Directors. For these reasons, it was judged that he would be able to fulfill his duties as Independent Outside Director who supervises business execution. Therefore, he was reappointed as an Outside Director. Although Mr. Hiraiwa has not been involved in corporate management in ways other than being an outside officer, it was judged for the above-mentioned reasons that he would be able to appropriately execute the duties of Outside Director. [Independence] He meets the requirements for Independent Officer defined by the Tokyo Stock Exchange and is registered with the Exchange to that effect. In addition, he meets the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members." Therefore, he is judged to be sufficiently independent.
Seiichi Koike	○	—	[Reasons for election] Mr. Seiichi Koike has engaged in material development for automotive components and research and development related to production technology at an automotive maker over many years, and possesses wide-ranging expertise in relation to the automotive electronics business. In addition, the Company also believes it will be valuable to the Group for his wide-ranging expertise from an investor's perspective to be reflected in the management of the Company, utilizing his abundant experience, including corporate management in the automotive components industry and strengthening governance systems as an Audit & Supervisory Board Member. For these reasons, it was judged that he will be able to provide valuable advice and suggestions regarding overall management at meetings of the Company's Board of Directors, and therefore he was appointed as an Independent Outside Director. [Independence] He meets the requirements for Independent Officer defined by the Tokyo Stock Exchange. In addition, he meets the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members." Therefore, he is judged to be sufficiently independent.
Emiko Hamada	○	NGK INSULATORS, LTD. Ms. Hamada worked for the Company from April 1984 to April 2007 as a business	[Reasons for election] While Ms. Emiko Hamada was employed by the Company, she engaged in the development and commercialization of CD-R and DVD-R. After she left the Company, she has conducted research activities for many years as a university professor mainly focusing on industry-academia-government collaboration projects. She also has experience in serving as an Outside Director at another company. The Company believes her suggestions of business execution and management

		operator, there has been no transaction to be noted between Ms. Hamada and the Company, and no special interests currently exist between her and the Company. She serves as an outside director of NGK INSULATORS, LTD. However, the amounts transactions with the said company accounted for less than 1% of the Company's consolidated net sales, and there is no possibility of conflicts of interest with general shareholders.	supervision as an Outside Director will be valuable to the Group. For these reasons, it was judged that she will be able to provide advice and suggestions regarding overall management at the meetings of the Company's Board of Directors, and therefore she was appointed as an Independent Outside Director. [Independence] Other than the left she meets the requirements for Independent Officer defined by the Tokyo Stock Exchange. In addition, he meets the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members." Therefore, he is judged to be sufficiently independent.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Committee	Remuneration Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	1	1
Chairperson	Outside Director	Outside Director

Supplementary Explanation

1. Nomination Committee
The Nomination Committee is composed of the President and Chief Executive Officer, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the

objectivity of deliberation. The Nomination Committee deliberates on, among others, the nomination of candidates for Officer (including candidates for reappointment), any proposal for dismissal of Officers including the President and Chief Executive Officer, any proposal for the selection of a rank for or dismissal of each Operating Officer, and disciplinary matters based on the "Officer Appointment and Dismissal Standards" and reports the deliberation results to the Board of Directors. The consent of the Audit & Supervisory Board is obtained in advance for the nomination of a candidate for Audit & Supervisory Board Member or the dismissal of an Audit & Supervisory Board Member.

<Status of activities>
The Nomination Committee held four (4) meetings during the fiscal year under review. Main activities are as follows:

- Deliberations on candidates for Officer (including candidates for reappointment)
- Deliberations on the selection of a rank for each Operating Officer and the determination of the order of turns in acting as a chairman
- Deliberations on the abolition of Senior Advisor and Special Advisor positions
- Deliberations on the revision of "Officer Appointment and Dismissal Standards"

2. Remuneration Committee
The Remuneration Committee is composed of the President and Chief Executive Officer, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The Remuneration Committee deliberates on remuneration plans and amounts of Directors and Operating Officers and reports the deliberation results to the Board of Directors. Remuneration for Directors (excluding Outside Directors) and Operating Officers of the Company consists of "basic remuneration," "performance-based bonus," and "stock compensation-type stock options" under a remuneration system that takes into consideration performance-based incentives.

<Status of activities>
The Remuneration Committee held three (3) meetings during the fiscal year under review. Main activities are as follows:

- Periodic verification of the levels of remuneration for Officers
- Deliberations on the personnel evaluation and bonuses of individual Operating Officers
- Deliberations on stock compensation-type stock options
- Deliberations on the revision of "Operating Officer Remuneration Rules"

[*Kansayaku*]

Establishment of *Kansayaku* Board	Established
Maximum Number of *Kansayaku* Stipulated in Articles of Incorporation	5
Number of *Kansayaku*	4

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

The Audit & Supervisory Board meets regularly (at least four times a year) to consider the audit implementation report from the Accounting Auditors. In addition, it ensures and maintains the adequacy of financial statements. Furthermore, the auditors work closely with the Accounting Auditors, accompany them on their site audits of major locations and subsidiaries, and work to implement efficient auditing practices.
Accounting Auditors
The primary certified accountants executing the auditing tasks include

Kiyoshi Hirai, CPA
Hideaki Takao, CPA

Shingo Iwamiya, CPA

Appointment of Outside *Kansayaku*	Appointed
Number of Outside *Kansayaku*	2
Number of Independent *Kansayaku*	2

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hajime Yoshitake	From another company													
Tomomi Fujita	Attorney													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. *Kansayaku* of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
m. Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent *Kansayaku*	Supplementary Explanation of the Relationship	Reasons of Appointment
Hajime Yoshitake	○	Adjunct Lecturer of Meiji University Professional Graduate School General Manager of The Institute of Internal Auditors – Japan	[Reasons for election] He has many years' experience of auditing operation at financial institutions and internal control consulting operation at business corporations and possesses exceptional insight, abundant experience and a good track record regarding auditing operation. It is expected that he can help establish a highly transparent and fair management oversight system, supervise the appropriateness of deliberation and decision making on

			important matters in light of the "business judgment rules," and offer insight from his objective "auditor's perspective" based on his knowledge and experience. Thus, he was elected as an Outside Auditor. [Independence] He has no particular interests involving the company. He satisfies the company's "Standards for the Independence of Outside Directors/ Outside Audit & Supervisory Board Members" and all requirements for independent directors as prescribed by the Tokyo Stock Exchange. We have asked him to perform auditing tasks (as an independent director) to ensure objectivity and neutrality while verifying the overall effectiveness of the Board.
Tomomi Fujita	○	Innoventier LPC Attorney	[Reasons for election] Ms. Tomomi Fujita has abundant experience as an attorney and a thorough knowledge of legal affairs in general and corporate legal affairs in particular. As such, she has sufficient insight to audit corporate management. For these reasons, Ms. Fujita was appointed as candidate for Independent Outside Audit & Supervisory Board Member as she is expected to be able to audit management decisions at meeting of the Board of Directors and business execution by Directors objectively based on her strong expertise. [Independence] She has no particular interests involving the company. She satisfies the company's "Standards for the Independence of Outside Directors/ Outside Audit & Supervisory Board Members" and all requirements for independent directors as prescribed by the Tokyo Stock Exchange. We have asked him to perform auditing tasks (as an independent director) to maintain objectivity and neutrality while verifying the overall effectiveness of the Board.

[Independent Directors/*Kansayaku*]

Number of Independent Directors/*Kansayaku*	5

Matters relating to Independent Directors/*Kansayaku*

Although the company's five independent directors meet the requirements imposed by the Corporation Act and the company's "Standards for the Independence of Outside Directors/ Outside Audit & Supervisory Board Members," they do not qualify for any of the requirements outlined in Section 211, Subsection 4-5 of the Securities Listing Regulations Enforcement Guidelines. Therefore, the five directors are considered to be independent directors.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options /

Supplementary Explanation

Described in the "Director Remuneration" section.

Recipients of Stock Options	Inside Directors / Other

Supplementary Explanation

The details of the stock options are as follows.

Name: Taiyo Yuden Co., Ltd. Stock Options Issued July 2019
Total number of options: 590
Those eligible for stock options, their number and the number of options granted include Company Board members (excluding outside Board members): 5 persons, 320 options
Company Operating Officer (excluding those also serving on the Board): 11 persons, 270 options
Type and number of shares underlying options: 59,000 shares of common stock in the company

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

Remuneration of directors for the period ending March 2019 (78th term) is as follows:
- Directors: 346,000,000yen (paid to 8 persons)
- Audit & Supervisory Board Members: 81,000,000 (paid to 4 persons)

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Policy to determine the remuneration paid to Corporate Officers
(1) The Company shall provide remuneration that emphasizes the linkage with financial results and medium- to long-term corporate value, to share the same value with shareholders.
(2) Remuneration shall be set at levels that can attract and retain excellent human resources with global competitiveness.
(3) Remuneration shall emphasize transparency and fairness to be able to fulfill accountability.

2. Process to determine remuneration paid to Corporate Officers and content of remuneration
In order to ensure the transparency and fairness of the process to determine remuneration for Officers, a Remuneration Committee has been established as an advisory panel to the Board of Directors.
The Remuneration Committee is composed of the President and CEO, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberations. It deliberates and reports on matters pertaining to remuneration for Officers such as remuneration policy, plan, calculation methods, and specific remuneration content of individual Officers.
After the Remuneration Committee has deliberated and reported, specific remunerations for Directors are deliberated at the Board of Directors meeting, and specific remunerations for Audit & Supervisory Board Members are discussed at the Audit & Supervisory Board meeting, within the limits of remunerations approved at the General Meeting of Shareholders, and with the amount of remunerations calculated based on rules and regulations established by the Company.

Composition of remuneration by position

Executive Directors	As Executive Directors are expected to achieve performance targets through business execution, their remuneration consists of “basic remuneration,” “performance-based bonus, ”and “stock compensation-type stock options.” If they achieve the targets underlying “performance-based bonus,” their remuneration will consist of 40% of basic remuneration, 40% of performance-based bonus, and 20% of stock remuneration.
Outside Directors	In the interest of maintaining independence, Outside Directors receive only “basic remuneration,” with no performance-based remuneration.
Audit & Supervisory Board Members	In the interest of promoting audits of legality, Audit & Supervisory Board Members receive only ″basic remuneration.”

Remuneration structure

Type of remuneration	Remuneration item	Description	Form of payment
Basic remuneration	Fixed remuneration	・Levels are determined in consideration of, among others, the economic climate and the growth potential of the Company. ・ Fixed remuneration based on roles and responsibilities.	Cash
Performance-based bonus	Performance-based remuneration (Single year)	・ Given the responsibility of Executive Directors for meeting Group performance targets each year, consolidated profit is chosen as the relevant performance indicator to establish a clearer linkage between factor contributing to the enhancement of corporate/shareholder value and remuneration. ・ The amount of bonus for each position and rank is determined based on annual performance for the range of consolidated profit from zero yen (¥0) to the target amount set forth in the Medium-term Management Plan. ・ The amount of bonus for individual Directors is determined by multiplying the bonus amount for each position/rank by evaluation factor, which is determined based on performance evaluation of the business units in their charge and evaluation of strategic behavior on an individual basis. This is designed to raise motivation for the execution of business strategies.	Cash
Stock compensation-type stock options	Stock remuneration (Medium- to long-term)	・ Introduced as an incentive toward medium- to long-term enhancement of corporate value, and to nurture shared value with shareholders and Directors’ awareness to stock price. ・ The number of share acquisition rights granted to each Director is determined based on his or her position and rank.	Shares (Share acquisition rights)

[Supporting System for Outside Directors and/or *Kansayaku*]

Outside Board members and Outside Auditors may request various departments to provide information to gather the information required to perform their duties.
In addition, the company has established a system that makes available important company information to outside Board members and Outside Auditors, as necessary. The company has also appointed a person responsible for promptly providing required company information to outside Board members and Outside Auditors upon request.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
—	—	—	—	—	—

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	0

Others

The Company do not have the system such as the senior executive advisor (Sodanyaku) or advisor (Komon) that the person who retired from the president and representative director take office.

2.Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

1. Roles and responsibilities of the Board of Directors

(1) The Board of Directors shall aim for corporate management to be an excellent company that enjoys the trust and highest regard from stakeholders, including shareholders, customers, employees and local communities, to accomplish the fiduciary responsibility entrusted by shareholders and increase the Company's interests and the common interests among shareholders.

(2) The Board of Directors shall deliberate and determine important matters for the entire Group with ample time, including management policies, management strategies, business plans, capital policy and the matters on internal control, for the purpose of continuously increasing corporate value from a long-term perspective.

(3) The Board of Directors shall strengthen the management system for risk factors surrounding corporate management of the Company and always monitor the execution of business operations.

2. Delegation of authority by the Board of Directors to top management

(1) To ensure the effective decision making by the Board of Directors, the Management Implementation Committee shall deliberate in advance policy matters regarding business operations for Group management, whereas the TM (Top Management) Meeting shall deliberate in advance matters concerning personnel, organization and remuneration systems for the entire Group. Both organs shall determine matters delegated by the Board of Directors.

(2) Operating Officers are in place in order to further clarify roles and responsibilities of Directors who monitor and supervise the management of business and persons who execute business operations. The Operating Officers shall conduct business flexibly and quickly as an executor responsible for the section he or she is in charge, under the direction of the President and Chief Executive Officer , in accordance with management policies and strategies determined at meetings of the Board of Directors.

3. Effectiveness of the Board of Directors

(1) To ensure the fairness of meetings and strengthen the authority of management oversight, the Board of Directors shall be chaired by the Chairman of the Board of Directors. If the Chairman of Board of Directors is absent, the President and Chief Executive Officer shall be chaired the Board of Directors. (2) At the Board of Directors meeting, the Directors and the Audit & Supervisory Board Members shall evaluate by themselves the effectiveness of the Board of Directors every year. The Board of Directors shall disclose issues to be addressed and others based on analysis results and address how to resolve such issues.

4. Directors

(1) The Board of Directors shall be composed of not more than ten (10) Directors, not less than one third (1/3) of whom shall be Independent Outside Directors.
(2) To clarify management responsibilities during a given fiscal year and increase shareholders' confidence, Directors' term of office is one (1) year.
(3) To ensure ample diversity in terms of gender and nationality and adequate balance in the composition of the Board of Directors, candidates for Executive Director are selected from among persons who have excellent personality and insight, have achieved a good track record to date in business areas of which they have been in charge, and have a thorough knowledge of management and business based on the "Officer Appointment and Dismissal Standards." Candidates for Outside Director are selected based on selection criteria including personality, experience, strong expertise, and the "Standards for the Independence of Outside irectors/Outside Audit & Supervisory Board Members."
(4) Except for Outside Directors, the Directors concurrently serve as Operating Officers who are in charge of both oversight and the execution of operations. Directors shall report with emphasis on the business performance and oversight operations of the divisions/departments they are in charge of to the Board of Directors.

5. Audit & Supervisory Board and Audit & Supervisory Board Members
(1) The Company has adopted an Audit & Supervisory Board Members system. The Audit & Supervisory Board meeting is held monthly, in principle.
(2) The Audit & Supervisory Board shall be composed of not more than five (5) Audit & Supervisory Board Members, a majority of whom shall be Independent Outside Audit & Supervisory Board Members. The Company elects persons who have adequate experience and skills as well as sufficient knowledge of finance, accounting, and legal affairs as Audit & Supervisory Board Members to ensure the effectiveness of audits.
(3) To raise the effectiveness of audits, each Audit & Supervisory Board Member attends Board of Directors meetings and attends meetings related to the execution of business operations and other important meetings by sharing the tasks with each other. Moreover, Audit & Supervisory Board Members strive to strengthen the auditing system through frequent communications with the Accounting Auditors and the internal audit department by meeting regularly, witnessing accounting audits as observers and conducting joint audits with the internal audit department.
(4) The Audit & Supervisory Board has its own dedicated staff to conduct highly effective auditing operations such as information communications and data management.

6. Voluntary advisory panels
(1) The Nomination Committee is composed of the President and Chief Executive Officer, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The Nomination Committee deliberates on, among others, the nomination of candidates for Officer (including candidates for reappointment), any proposal for dismissal of Officers including the President and Chief Executive Officer, any proposal for the selection of a rank for or dismissal of each Operating Officer, and disciplinary matters based on the "Officer Appointment and Dismissal Standards" and reports the deliberation results to the Board of Directors. The consent of the Audit & Supervisory Board is obtained in advance for the nomination of a candidate for Audit & Supervisory Board Member or the dismissal of an Audit &Supervisory Board Member.
(2) The Remuneration Committee is composed of the President and Chief Executive Officer, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The Remuneration Committee deliberates on remuneration plans and amounts of Directors and Operating Officers and reports the deliberation results to the Board of Directors. Remuneration for Directors (excluding Outside Directors) and Operating Officers of the Company consists of "basic remuneration," "performance-based bonus," and "stock compensation-type stock options" under a remuneration system that takes into consideration performance-based incentives.

7. General policy regarding the roles and election of Outside Corporate Officers
(1) In electing Outside Directors, to ensure transparency in the authority of management oversight, the Company has established rigorous "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members" as requirements for their appointment referencing, and making it more rigorous than, other standards for independence established by financial instrument exchanges and

organizations advising the exercise of voting rights, including the "Securities Listing Regulations" set forth by the Tokyo Stock Exchange.
(2) The three (3) Outside Directors meet the Company's independency requirements. They make efforts to strengthen the supervisory capability of the Company and strive to strengthen objective management. Specifically, they fulfill a role that is important to the decision-making process and provide opinions from the perspective of either technical experts or shareholders independent of executive management, based on a broad view that leverages knowledge of corporate legal affairs and the experience of corporate managers.
(3) The two (2) Outside Audit & Supervisory Board Members meet the Company's independency requirements. They cooperate with each other to monitor the status of internal control of operations on a daily basis. Specifically, they are responsible for investigating and verifying whether the Directors' duties are legally conducted in compliance with the relevant laws. In addition to possessing technical and practical knowledge of their own in the fields of law and accounting, they objectively monitor the execution of duties by Directors.

3. Reasons for Adoption of Current Corporate Governance System

The Company is a company with an Audit & Supervisory Board and established organizations: Board of Directors, Audit & Supervisory Board and the Accounting Auditors. In addition, the Company has adopted a corporate governance structure under which all the Outside Directors and Outside Audit & Supervisory Board Members are designated as Independent Officers for whom there is no possibility of conflicts of interest with general shareholders. Consequently, the Outside Directors and Outside Audit & Supervisory Board Members work closely with the Audit & Supervisory Board Members and the internal audit department, thereby enabling the effective utilization of the Audit & Supervisory Board Members' functions and enhancing the authority of management oversight.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	We will send the notices regarding the convocation of regular shareholders' meetings three weeks prior to the day of the meeting to ensure that our esteemed shareholders have adequate time to review the agenda for the shareholders' meeting and properly exercise their voting rights. In addition, in the interest of more prompt disclosure, on the day prior to sending the notices, we will place them on our website, the Tokyo Stock Exchange, and the voting rights exercise platform.
Scheduling AGMs Avoiding the Peak Day	Times and dates for holding general shareholders' meetings shall be considered to avoid meeting congestion and to ensure that there are no clashes of dates or items with other meetings. Efforts shall be made to facilitate the participation of all shareholders in general shareholders' meetings by setting the time of meetings in the afternoon if they fall on a so-called "congested date."
Allowing Electronic Exercise of Voting Rights	In the interest of the shareholders and institutional investors who cannot directly attend the shareholder's meeting, we will employ electromagnetic methods (including electronic voting platforms) to exercise voting rights.
Participation in Electronic Voting Platform	In the interest of ensuring an adequate period of review for voting purposes and early disclosure, we will utilize an electronic voting system for institutional investors run by ICJ., Co. Ltd.
Providing Convocation Notice in English	In addition to placing an English version of the notice of convocation on our website, on the day before the notice of convocation is sent, , we will also provide the notice to the voting rights exercise platform and Tokyo Stock Exchange to speed up disclosure to foreign investors.

Other	To provide easy-to-understand information to investors, we will make the notice of convocation more visual, with color images of the candidates, graphs, and other related material. In addition, we will post the presentation materials from the shareholders' meeting as well as the voting results (provision reports) on our website.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	We have formulated a disclosure policy, which is available on at our website.
Regular Investor Briefings for Individual Investors	—
Regular Investor Briefings for Analysts and Institutional Investors	A results briefing or update meeting for securities analysts and institutional investors shall be held quarterly (by tele-conference) with the President and Chief Executive Officer or Director responsible for IR in attendance.
Regular Investor Briefings for Overseas Investors	The President and Chief Executive Officer, management executive, or a person responsible for IR shall visit major cities in Europe, the U.S., and Asia to participate in individual meetings and conferences, and to maintain a dialogue with institutional investors.
Posting of IR Materials on Website	We have created a shareholder and investor information site on our website, where we post IR materials, such as earnings bulletins and supplemental materials to financial statements, consolidated financial statements, ad hoc reports, English financial statements, integrated reports, and notices of the convocation of shareholders' meetings. Japanese website: https://www.yuden.co.jp/jp/ir/library/ English website: https://www.yuden.co.jp/ut/ir/library/
Establishment of Department and/or Manager in Charge of IR	Department responsible for Public Relations Department
Other	—

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The TAIYO YUDEN Group believes that it is the Company's social responsibility and management mission to develop its business considering society, the public benefit, and the public spirit from a global perspective in accordance with the three principles of its management philosophy: "Employee Well-being," "Betterment of Local Communities" and "Responsibility to Provide Returns to Shareholders." along with accomplishing the group's management vision "To be an excellent company that enjoys the trust and highest regard from our customers."
Implementation of Environmental Activities, CSR Activities etc.	We are promoting various environmental and CSR activities in line with our management philosophy. We have prepared a "Safety and Environment Report" that summarizes our annual activities in security and the environment. This report can be found on our website.
Development of Policies on Information Provision to Stakeholders	We have created an information disclosure policy, which can be found on our website.
Other	—

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

1. Systems to ensure the execution of duties by Directors, Operating Officers and employees complies with laws, regulations and the Articles of Incorporation, and other systems to ensure appropriate business operations of the Company and the Group

(1) The Board of Directors shall resolve important matters in accordance with laws, regulations and the Articles of Incorporation, as well as the "Board of Directors Regulations" and other internal regulations.

(2) The Board of Directors shall strengthen the management system for risk factors surrounding the management and supervise the execution of duties by Directors.

(3) Audit & Supervisory Board Members shall monitor the appropriateness of resolutions by the Board of Directors, as well as the execution of duties by Directors and Operating Officers.

(4) An Internal Control Committee shall be established as a system to promote the Group's compliance activities. The committee shall designate a responsible person for each of the items set forth in the "Taiyo Yuden Group CSR Code of Conduct" of the Company and conduct compliance activities on an ongoing basis in accordance with the compliance management system.

(5) A whistleblower system shall be operated for early detection of compliance-related problems of the Group. The detected problems shall be investigated and corrective measures shall be taken to prevent a recurrence.

(6) Corporate information and other materials relating to the Group shall be swiftly and appropriately disclosed to shareholders and investors.

(7) A firm and uncompromising stance will be taken on an organizational basis against antisocial movements or groups.

(8) Internal control shall be streamlined and operated for the purpose of ensuring the reliability of financial reports in accordance with the Financial Instruments and Exchange Act.

(9) As for the execution of business operations at subsidiaries, the relevant operating division/departments of the Company shall be the contact to grasp the circumstances thereof, and sufficient exchange of information and coordination of interests shall be conducted with regard to important information in accordance with the "Group Management Rules" to ensure appropriateness of business operations while respecting the management intentions of the respective subsidiaries.

2.System for the storage and management of information with regard to the execution of duties by Directors and Operating Officers of the Company

(1) The Company shall record the statutory documents such as the minutes of the General Meetings of Shareholders and the minutes of the Meetings of the Board of Directors, and the minutes of other important meetings concerning the execution of duties by Directors and Operating Officers, in the form of documents or electromagnetic media, and store and manage them together with relevant materials, in accordance with laws and regulations, as well as the respective meeting rules.

(2) The Company shall maintain an environment that enables Directors and/or Audit & Supervisory Board Members to access said information at any time in accordance with the respective meeting rules.

3.Rules for managing risks of loss with respect to the Company and other systems

(1) An Internal Control Committee shall be established as a system to promote risk management activities. The committee shall designate a responsible person for each risk category. Risk management activities, which consist of risk identification, evaluation of risk levels, decision and execution of risk countermeasures and monitoring/review of the status of implemented countermeasures, shall be continuously performed as per the Group risk management system.

(2) As per the Company's Group Business Continuity and Risk Management Regulations, the effects on business activities resulting from the occurrence of any risks including natural disasters shall be preassumed, an emergency task force shall be formed depending on the scale of expected adverse effects and preventive measures shall be taken in advance during peacetime. In case a business continuity problem arises, countermeasures shall be taken in compliance with the BCP (Business Continuity Plan) put in place to enable the early resumption of business activities.

4.System for ensuring the duties of Directors of the Company are efficiently performed

(1) To ensure that decision making by the Board of Directors is appropriate and efficient, a collegial body to deliberate important matters regarding the execution of business operations and personnel affairs shall be established.

(2) To improve the efficiency of the execution of duties by Executive Directors, Operating Officers shall be in place.
(3) An Internal Control Committee shall be established as a collegial body that deliberates on the internal control system and evaluates its activities, and a person responsible for promotion shall be designated for each item set forth in this resolution. The Internal Control Committee shall regularly receive reporting from the aforementioned persons responsible for promotion on the activity achievements and report the achievements to the Board of Directors.
(4) The decision-making process shall be simplified and accelerated by proactively leveraging various computer systems for such applications as workflows, video conferences, the sharing of information and information management by leveraging IT technology.

5.System for ensuring appropriate business operations within the Taiyo Yuden Group
(1) System for reporting to the Company on matters concerning the execution of duties by Directors of the subsidiaries of the Company and other persons with similar authority
1) The status of the performed business operations at subsidiaries shall be reported as per the Company's "Group Management Rules" to encourage the sharing of information with relevant departments of the Company.
2) The Company shall strive to understand the management circumstances of its subsidiaries by dispatching some of its Operating Officers and/or employees to serve as Directors of the relevant subsidiaries.
(2) Rules for managing risks of loss with respect to any subsidiary of the Company and other systems
1) As per the Group risk management system, the subsidiary shall continuously perform its risk identification, evaluation of risk levels, decision and execution of risk countermeasures and monitoring/review of the status of implemented countermeasures.
2) As per the Company's Group Business Continuity and Risk Management Regulations, the subsidiary shall preassume circumstances in which effects on business activities could result from the occurrence of risks including natural disasters, determine the possible formation of an emergency task force depending on the scale of expected adverse effects and take preventive measures in advance during peacetime. In case a business continuity problem arises, the subsidiary shall take countermeasures in compliance with the BCP (Business Continuity Plan) put in place to enable the early resumption of business activities.
(3) System for ensuring the duties of Directors, etc., of any subsidiary of the Company are efficiently performed
1) The Company shall formulate its "Group Management Rules" to help subsidiaries handle their decision making efficiently, whereas the subsidiaries shall put the rules into practice.
2) The Internal Audit Office of the Company monitors whether business operations of subsidiaries are conducted appropriately and efficiently from an independent standpoint. The monitoring results shall be provided appropriately as feedback to the relevant subsidiaries and to the President and CEO of the Company. The information therein also shall be shared with the Audit & Supervisory Board Members of the Company.
(4) System for ensuring that Directors and employees of any subsidiary of the Company perform their duties in accordance with laws, regulations and the Articles of Incorporation of said subsidiary
1) As for important matters, the system to ensure the appropriateness of business operations at subsidiaries shall be streamlined and maintained as per the Company's "Group Management Rules."
2) As a system to promote compliance activities, a responsible person for each of the items set forth in the "Taiyo Yuden Group CSR Code of Conduct" shall be designated to conduct compliance activities on an ongoing basis in accordance with the compliance management system.

6.System for ensuring effective audits by the Audit & Supervisory Board Members of the Company
(1) Matters regarding the employees appointed to support Audit & Supervisory Board Members of the Company (Independence of said employees from Directors, ensuring effectiveness of the direction of Audit & Supervisory Board Members, etc.)
1) As dedicated staff who support Audit & Supervisory Board Members' auditing operations under the control of the Audit & Supervisory Board, employees who serve as secretariat members (the "Secretariat Staff") shall be in place.
2) Designation, transfer, performance evaluation, promotion, disciplinary actions, etc., of the Secretariat staff shall be consulted with the Audit & Supervisory Board in advance to obtain its accord.

(2) Treatment of expenses that derive from the execution of duties by Audit & Supervisory Board Members of the Company

Unless otherwise recognized that such costs are not necessary with regard to the Audit & Supervisory Board Members' duties, the Company shall incur costs that have been caused in relation to the audits by Audit & Supervisory Board Members.

(3) Other systems for ensuring effective auditing by the Audit & Supervisory Board Members of the Company

1) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to participate in important meetings on managerial matters and audit the decision-making of Directors, as well as the execution of duties by Directors and Operating Officers.
2) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to collect information in a timely manner that is necessary for their audits through communication with Directors, Operating Officers, and employees, and also request, as necessary, reports therefrom regarding the execution of their duties and inspect the relevant documents.
3) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to periodically exchange information with the Internal Audit Office, and take close cooperation therewith.
4) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to periodically, or on an as needed-basis, exchange information with the Accounting Auditor, and request reporting therefrom, as necessary.

7.System for reporting to Audit & Supervisory Board Members of the Company

(1) System for reporting to Audit & Supervisory Board Members of the Company by Directors, Operating Officers and employees of the Company

1) Directors, Operating Officers and employees of the Company, if any of them recognize a fact that violates any laws, regulations, the Articles of Incorporation and/or internal regulations, or a considerably improper fact that could be such a violating fact, or a fact that is feared to cause significant damage to the Company, shall immediately report thereof to the Audit & Supervisory Board Members.
2) The system that allows any Director, Operating Officer or employee of the Company to directly report to an Audit & Supervisory Board Member of the Company shall be streamlined and maintained as per the Company's internal whistleblowing rules.

(2) System for reporting to Audit & Supervisory Board Members of the Company by Directors and employees of any subsidiary of the Company

1) The subsidiaries of the Company shall streamline and maintain the system that allows Directors, etc., and employees of any subsidiary to directly report to Audit & Supervisory Board Members of the Company with regard to the violation of laws, regulations and/or internal regulations by Directors, etc., as per their respective internal whistleblowing rules.
2) The Board of Directors shall endeavor to facilitate communication with full-time Audit & Supervisory Board Members, Directors and employees of the subsidiaries, collect information and maintain the environment for audits.

(3) System for ensuring that anyone who has reported to an Audit & Supervisory Board Member does not suffer from detrimental treatment for the reason of having made said report

The Group shall stipulate a scheme to fully protect informants in its internal rules, and streamline and maintain a preventive system, under which anyone who has used the whistleblower system to report to the Audit & Supervisory Board and/or the Audit & Supervisory Board Members shall not be unfavorably treated.

2. Basic Views on Eliminating Anti-Social Forces

◇Basic Policy for Exclusion of Anti-social Forces

The Company has determined to resolutely and systematically oppose anti-social forces and organizations that pose a threat to the order and safety of civil society. (This content is taken from a Board of Directors resolution on the Basic Policy on Internal Control.)

◇State of Implementation of a System for Exclusion of Anti-Social Forces

The TAIYO YUDEN Group CSR Code of Conduct sets forth the following matters pertaining to the severing of relations with anti-social forces.

1. Basic Policies for Antisocial Forces
(1) The company shall have no relationship whatsoever with antisocial forces.
(2) The company shall cooperate with external agencies and respond in an organized and appropriate manner to ensure no damage from antisocial forces arises.
(3) The company shall not respond in any form to the unreasonable demands of antisocial forces, and shall take legal measures as necessary based on the three principles of “Do not pay,” “Do not use,” and “Do not be afraid.”
(4) The company shall not provide any funds to, or make any secret deal with any antisocial forces.

2. Creation of a department and manager responsible for the prevention of unreasonable demands.
This manager shall be the executive responsible for general affairs, and the general affairs division for each location shall handle any unreasonable demands.

3. Collaboration with external professional agencies, information collection, and training.
Each business office is affiliated with a professional agency, including the Tokubouren (Japan Metropolitan Police Department’s violence prevention federation).
The company participates in regular training sessions held by professional agencies and collects and exchanges necessary information.

4. Creation of a Response Manual
A response manual that summarizes methods and a response checklist for responding via meetings and by telephone, as well as examples of consultations, etc. shall be created and distributed to the general affairs division of each work site.

5.During CSR training, we provide easy-to-understand explanations and familiarize employees with the severing of relations with anti-social forces using the CSR Code of Conduct Handbook.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

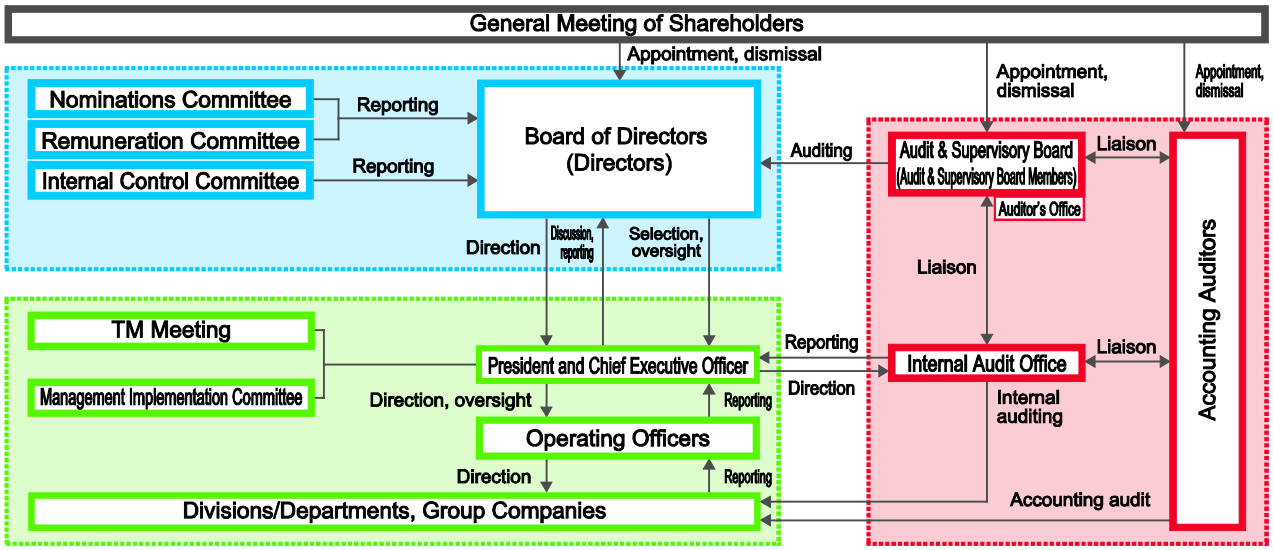
Supplementary Explanation

At the close of the company’s 69th general shareholders' meeting of the shareholders held on June 29, 2010, the company resolved to abolish the “Anti-takeover measures regarding large-scale purchases of company shares” (hereinafter referred to as “the plan”), adopted at the company’s board of directors meeting held February 22, 2010.
Even after the abolition of the Plan, in the case of a large-scale purchase of company shares (to preserve and enhance joint shareholder interests), we will strive to disclose information as appropriate (and at the appropriate time) and develop a suitable response.

2. Other Matters Concerning to Corporate Governance System

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Governance Structure



Note: The TM Meeting is an advisory panel for deliberations and decisions on matters concerning personnel, organizations, etc.